



Application No. \_\_\_\_\_ **FILED**

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# SAN GABRIEL VALLEY WATER COMPANY

General Division

## REPORT ON OPERATIONS

Recorded Years 2011-2015

Test Year 2017-2018

Escalation Years 2018-2019 and 2019-2020

January 2016

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## CHAPTER 1

### Introduction

#### A - Purpose of Report

1. This report has been prepared to present to the California Public Utilities Commission (Commission) general information concerning San Gabriel Valley Water Company (San Gabriel), its operations, and its financial condition, as part of a showing of need to increase rates charged for water service in San Gabriel's Los Angeles County division (Los Angeles County) and Fontana Water Company division for their allocated shares of General division revenue requirement.

#### B - Scope of Report

2. This report includes a historical review of the company, a resume of its management, a declaration of associated interests, financial statements setting forth the results of operations during the years 2011 through 2015, including the financial condition at December 31 for each of those years, and other financial data. This report also includes allocations of General division utility plant, reserve for depreciation, operating expenses, administrative and general expenses, depreciation expense, and taxes among San Gabriel's Los Angeles County and Fontana Water Company divisions for Estimated Year 2016, Test Years 2017-2018 and 2018-2019 (rate base-related items only) and Escalation Years 2018-2019 and 2019-2020.

**Note: Calendar 2015 recorded data is not available and all 2015 information shown is for twelve months ended October 2015. These figures will be updated to December 2015 in April 2016 as permitted under the Commission's Rate Case Plan.**

## CHAPTER 2

### History, Management and Declaration of Associated Interests

#### A - History

1. San Gabriel Valley Water Service began operations as a public utility in the El Monte area in 1937. San Gabriel was incorporated on February 26, 1945, under the laws of the State of California. By authority of Decision No. 38235, dated September 25, 1945, in Application No. 26877, San Gabriel acquired the assets of San Gabriel Valley Water Service and Fontana Domestic Water Company. San Gabriel has supplied water service to the general public in Los Angeles and San Bernardino counties continuously from November 1, 1945, to date. Maps showing the service areas and general location of the Los Angeles County and Fontana Water Company operations follow as Charts 2A and 2B.

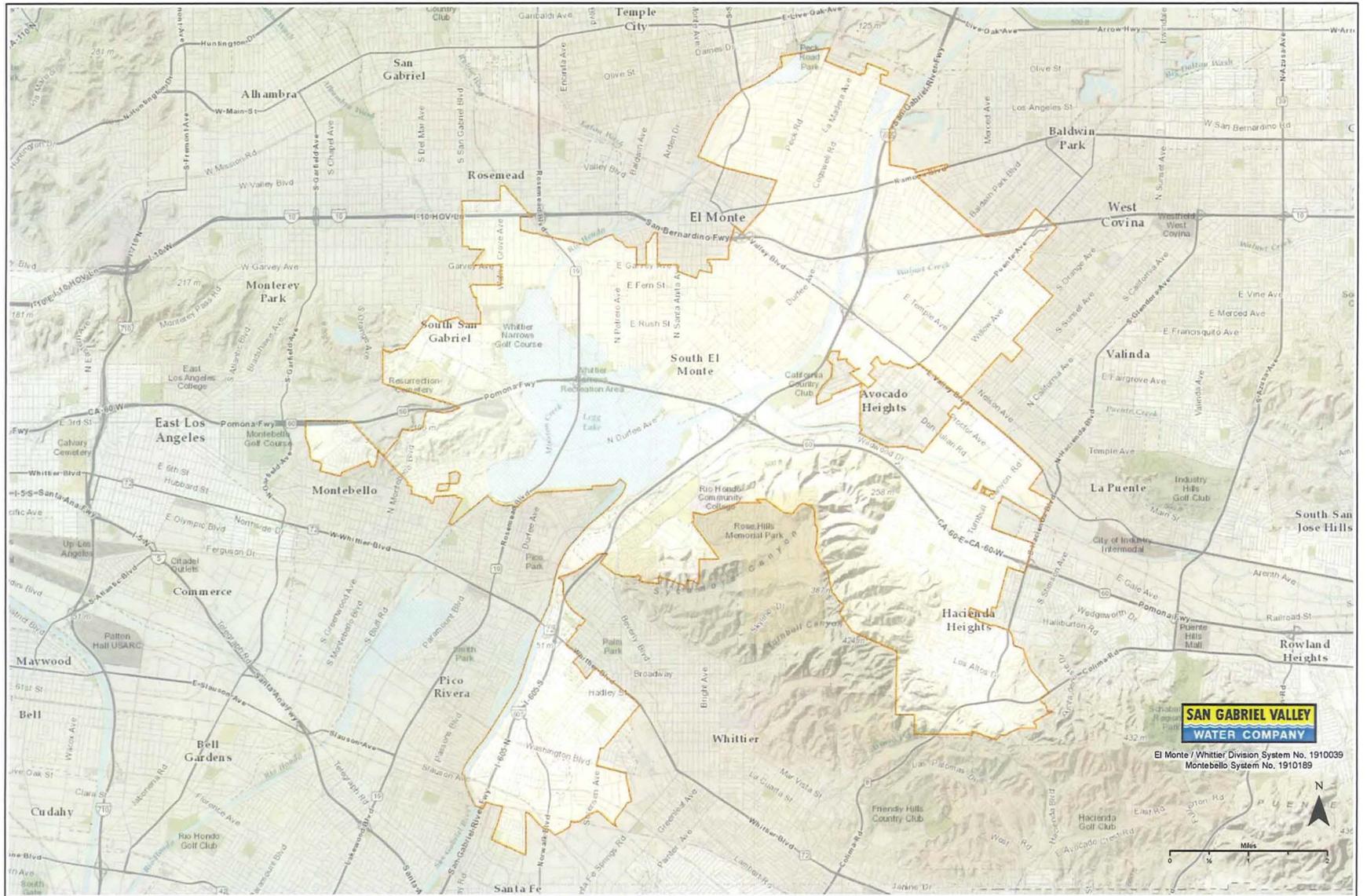
#### B - Management

2. Executive offices of the company are located at 11142 Garvey Avenue, El Monte, California. Executive officers along with other management personnel and their areas of responsibility are set forth in an organization chart which follows as Chart 2C.
3. Following are the names and titles of the officers and directors of San Gabriel:

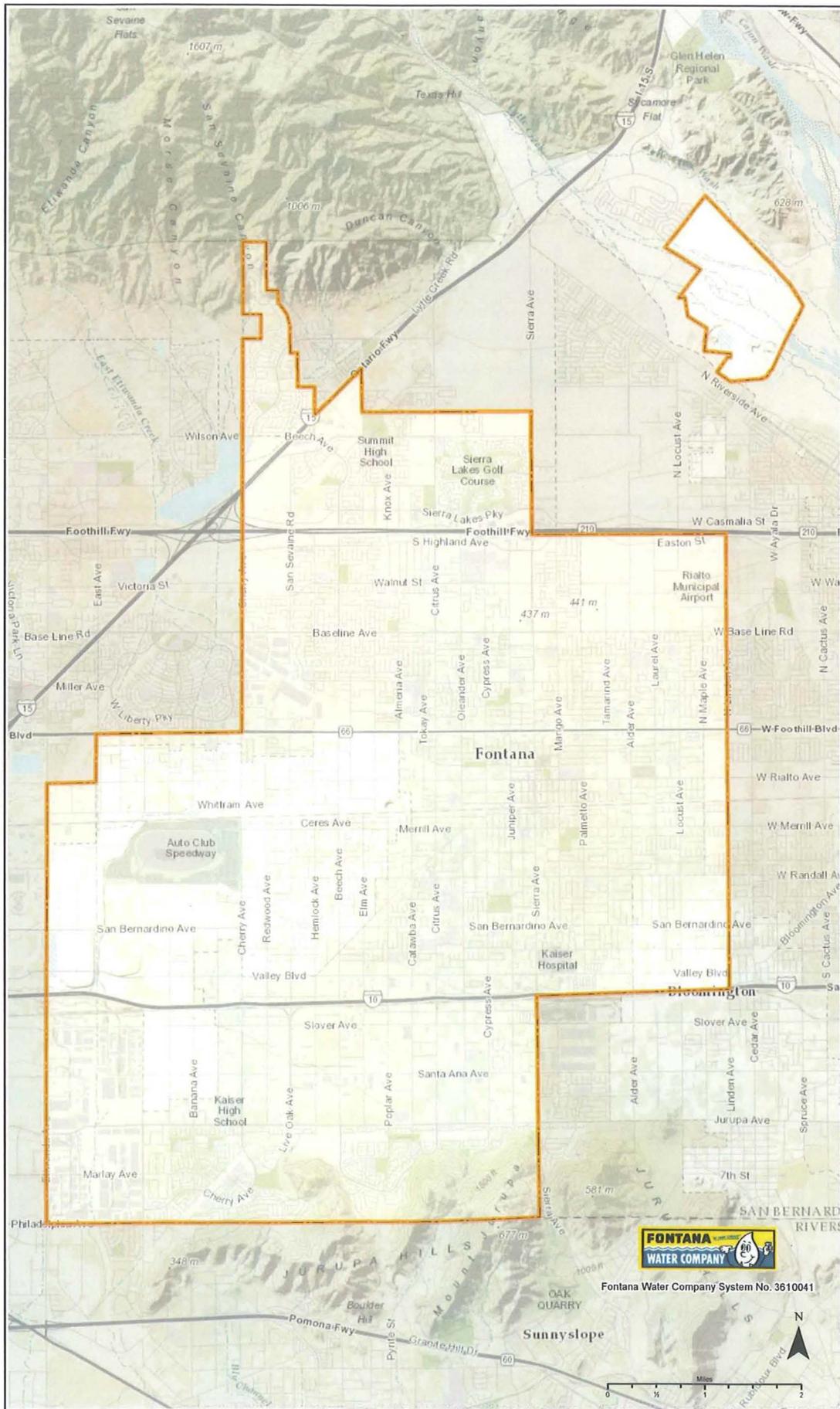
<u>Name</u>	<u>Officer and/or Director</u>
M. L. Whitehead	Chairman and Chief Executive Officer, Director
R. W. Nicholson	President, Director
R. J. DiPrimio	Senior Vice President
D. M. Batt	Vice President and Treasurer
T. J. Ryan	Vice President & General Counsel, Secretary
R. H. Nicholson, Jr.	Assistant Secretary
J. M. Reiker	Vice President of Regulatory Affairs
M. Y. Yucelen	Vice President of Engineering
K. M. Moseley	Director
D. S. Nicholson	Director
S. R. Thomas	Director

C - Associated Companies

4. All of the outstanding common stock of San Gabriel is held by Utility Investment Company pursuant to the authority granted by Commission Decision No. 92806, dated March 17, 1981.

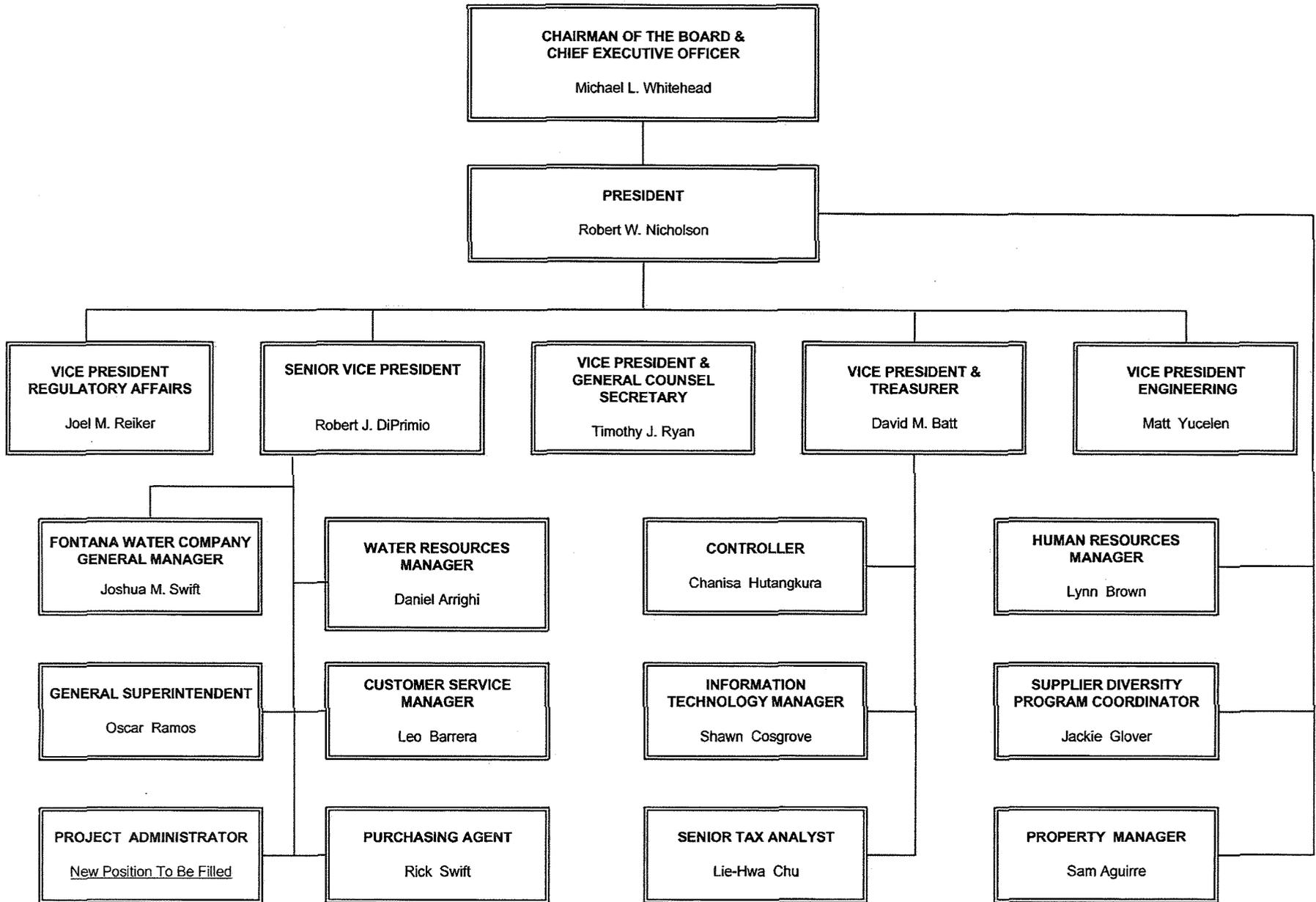


# CHART 2B



SAN GABRIEL VALLEY WATER COMPANY

SEPTEMBER 20, 2015



2-5

CHART 2C

## CHAPTER 3

### Financial Statements

#### A - Balance Sheet

1. A comparative balance sheet as of December 31 for the years 2011 through 2015 is presented in Table 3A.

#### B - Income Statement

2. A comparative income statement for the years 2011 through 2015 is presented in Table 3B.

#### C - Other Financial Data

3. Common stock book value, dividends and earnings for the years 2011 through 2015 are shown in Table 3C.
4. Average capital structure for the years 2011 through 2015 is presented in Table 3D.

**TABLE 3A**  
**Sheet 1 of 2**  
**San Gabriel Valley Water Company**  
**Comparative Balance Sheet**  
**as of December 31**  
(Dollars in Thousands)

<b><u>ASSETS</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Utility Plant					
Utility plant in service	\$570,311.5	\$590,665.1	\$621,519.7	\$652,292.7	\$656,564.2
Construction work in progress	\$7,267.6	\$13,305.4	\$17,691.6	\$19,276.1	\$26,572.1
Utility plant acquisition adjustments	(\$39.6)	(\$39.6)	(\$39.6)	(\$39.6)	(\$39.6)
Total utility plant	\$577,539.6	\$603,930.9	\$639,171.8	\$671,529.3	\$683,096.7
Less reserves for amortization and depreciation	\$139,619.7	\$152,150.3	\$165,730.2	\$180,055.7	\$187,481.8
Total utility plant less reserves	\$437,919.9	\$451,780.6	\$473,441.6	\$491,473.6	\$495,614.9
Other Investments	\$6,423.5	\$13,100.8	\$13,111.3	\$12,782.2	\$12,781.5
Current and Accrued Assets					
Cash on hand and in banks	\$1,379.8	\$1,483.6	\$1,351.4	\$963.3	\$3,757.4
Special deposits and temporary investments	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5
Accounts receivable	\$11,620.8	\$9,797.4	\$10,842.8	\$9,804.3	\$11,330.6
Materials and supplies	\$1,698.1	\$1,931.0	\$1,978.2	\$2,173.1	\$2,287.3
Prepayments	\$10,103.5	\$5,330.9	\$12,938.0	\$20,664.6	\$13,128.2
Total current and accrued assets	\$24,805.7	\$18,546.3	\$27,114.0	\$33,608.8	\$30,507.0
Deferred Debits					
Unamortized debt discount and expense	\$372.5	\$347.3	\$324.5	\$326.3	\$314.9
Other work in progress	\$335.4	\$286.3	\$278.2	\$1,913.0	\$2,031.2
Other deferred debits	\$6,008.9	\$6,322.0	\$6,457.9	\$6,451.5	\$6,405.7
Total deferred debits	\$6,716.8	\$6,955.5	\$7,060.7	\$8,690.8	\$8,751.8
Total	\$475,865.9	\$490,383.3	\$520,727.6	\$546,555.3	\$547,655.2

**NOTE: Recorded June 2015 information is temporarily shown for Calendar 2015.**

**TABLE 3A**  
**Sheet 2 of 2**  
**San Gabriel Valley Water Company**  
**Comparative Balance Sheet**  
**as of December 31**  
(Dollars in Thousands)

<b><u>CAPITALIZATION</u></b> <b><u>and LIABILITIES</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Capitalization					
Common stock	\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0	\$2,400.0
Capital surplus	\$249.4	\$249.4	\$249.4	\$249.4	\$249.4
Earned surplus	\$158,868.0	\$172,622.8	\$183,673.5	\$184,180.2	\$183,189.2
Common stock equity	\$161,517.4	\$175,272.1	\$186,322.9	\$186,829.6	\$185,838.6
Long-term debt	\$104,000.0	\$103,300.0	\$102,600.0	\$101,900.0	\$101,900.0
Total capitalization	\$265,517.4	\$278,572.1	\$288,922.9	\$288,729.6	\$287,738.6
Current and Accrued Liabilities					
Notes payable	\$0.0	\$16,500.0	\$14,500.0	\$23,000.0	\$20,250.0
Accounts payable	\$14,423.2	\$6,469.0	\$18,451.0	\$13,238.3	\$5,337.1
Water costs accrued	\$8,304.9	\$3,861.1	\$6,035.8	\$9,492.1	\$11,768.7
Customer deposits	\$73.0	\$65.3	\$109.1	\$198.8	\$213.7
Taxes accrued	\$4,894.4	\$210.4	\$60.6	\$154.0	\$262.2
Interest accrued	\$1,645.7	\$1,628.3	\$1,611.0	\$1,593.7	\$1,593.7
Other current and accrued liabilities	\$5,383.1	\$4,996.2	\$4,923.7	\$5,923.2	\$5,720.4
Total current and accrued liabilities	\$34,724.2	\$33,730.4	\$45,691.3	\$53,600.0	\$45,145.9
Deferred Credits					
Advances for construction	\$38,606.9	\$37,400.5	\$36,500.5	\$37,188.0	\$36,621.1
Other deferred credits	\$11,704.9	\$14,146.9	\$19,929.0	\$28,099.8	\$40,504.8
Total deferred credits	\$50,311.7	\$51,547.4	\$56,429.5	\$65,287.8	\$77,125.9
Deferred Income Taxes	\$46,311.9	\$49,807.3	\$54,490.2	\$62,924.9	\$63,059.6
Contributions in Aid of Construction	\$79,000.7	\$76,726.2	\$75,193.7	\$76,012.9	\$74,585.2
Total	\$475,865.9	\$490,383.3	\$520,727.6	\$546,555.2	\$547,655.2

**NOTE: Recorded June 2015 information is temporarily shown for Calendar 2015.**

**TABLE 3B**  
**San Gabriel Valley Water Company**  
**Comparative Income Statement**  
(Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b><u>Operating Revenues</u></b>					
Metered sales to general customers	\$103,178.3	\$118,126.3	\$105,327.9	\$107,614.0	\$108,828.8
Private fire service & Construction	\$2,296.7	\$2,590.3	\$2,639.6	\$2,619.1	\$2,910.9
Other water revenues	\$8,262.2	\$8,602.2	\$6,808.3	\$7,136.2	\$6,805.5
Total operating revenues	<u>\$113,737.2</u>	<u>\$129,318.8</u>	<u>\$114,775.8</u>	<u>\$117,369.2</u>	<u>\$118,545.2</u>
<b><u>Operating Revenue Deductions</u></b>					
Source of supply expenses	\$21,144.7	\$20,960.3	\$23,158.8	\$28,494.6	\$27,814.9
Pumping expenses	\$9,558.6	\$10,245.7	\$10,983.7	\$12,107.5	\$11,619.5
Water treatment expenses	\$10,102.8	\$9,651.4	\$8,559.1	\$8,466.0	\$8,470.0
Trans. & distrib. expenses	\$4,630.6	\$4,940.5	\$4,530.5	\$4,611.6	\$4,718.1
Customer account expenses	\$5,733.0	\$5,607.9	\$5,946.9	\$6,142.3	\$5,888.1
Admin. & general expenses	\$15,531.3	\$15,843.7	\$16,240.3	\$16,943.0	\$17,696.9
Miscellaneous expenses	(\$1,431.2)	(\$772.7)	(\$1,739.0)	(\$2,425.3)	(\$2,443.4)
Total operating expenses	<u>\$65,269.8</u>	<u>\$66,476.9</u>	<u>\$67,680.3</u>	<u>\$74,339.6</u>	<u>\$73,764.1</u>
Depreciation and amortization of limited-term utility investments	\$10,648.7	\$10,988.2	\$11,445.8	\$12,098.6	\$12,411.8
Taxes other than on income	\$4,337.6	\$4,612.0	\$4,849.4	\$4,922.9	\$4,949.9
Taxes on income - State	\$2,741.7	\$3,485.0	\$1,878.5	\$274.8	\$403.8
Taxes on income - Federal	\$11,091.9	\$13,486.9	\$7,503.4	\$6,177.6	\$6,900.0
Subtotal	<u>\$28,819.9</u>	<u>\$32,572.2</u>	<u>\$25,677.1</u>	<u>\$23,473.9</u>	<u>\$24,665.5</u>
Total operating revenue deductions	<u>\$94,089.7</u>	<u>\$99,049.0</u>	<u>\$93,357.4</u>	<u>\$97,813.5</u>	<u>\$98,429.6</u>
Net operating revenues	<u>\$19,647.5</u>	<u>\$30,269.8</u>	<u>\$21,418.4</u>	<u>\$19,555.7</u>	<u>\$20,115.7</u>
<b>Other Income</b>					
Interest revenues	\$2.4	\$0.1	\$0.0	\$0.0	\$0.1
Other revenues	\$66.0	\$66.2	\$66.4	\$71.0	\$86.0
Non-operating revenue	\$18.8	\$44.4	\$19.9	\$222.4	\$221.0
Total other income	<u>\$87.2</u>	<u>\$110.7</u>	<u>\$86.3</u>	<u>\$293.4</u>	<u>\$307.1</u>
Net Income before Deductions	<u>\$19,734.7</u>	<u>\$30,380.5</u>	<u>\$21,504.7</u>	<u>\$19,849.1</u>	<u>\$20,422.7</u>
<b>Income Deductions</b>					
Interest on long-term debt	\$5,515.6	\$6,435.8	\$6,366.5	\$6,297.2	\$6,262.5
Other interest	\$486.0	\$162.4	\$262.6	\$442.9	\$474.7
Other income deductions	\$67.6	\$111.3	\$94.6	\$83.1	\$92.4
Total income deductions	<u>\$6,069.3</u>	<u>\$6,709.5</u>	<u>\$6,723.7</u>	<u>\$6,823.2</u>	<u>\$6,829.6</u>
Net income	<u>\$13,665.4</u>	<u>\$23,670.9</u>	<u>\$14,781.0</u>	<u>\$13,025.8</u>	<u>\$13,593.1</u>

NOTE: Recorded June 2015 information is temporarily shown for Calendar 2015.

**TABLE 3C**  
**San Gabriel Valley Water Company**  
**Common Stock Equity, Net Earnings, and Dividends**

<u>Year</u>	<u>Common Stock Equity December 31</u>	<u>Average Common Stock Equity</u>	<u>Net Earnings</u>	<u>Dividends on Common Stock</u>	<u>Net Earnings to Average Common Stock Equity</u>	<u>Dividends to Average Common Stock Equity</u>	<u>Dividend Payout Ratio</u>	<u>Average Common Stock Equity Per Share</u>	<u>Net Earnings Per Share</u>	<u>Cash Dividends Per Share</u>
2011	\$161,517,380	\$155,256,623	\$13,665,441	\$8,901,600	8.80%	5.73%	65.14%	\$646.90	\$56.94	\$37.09
2012	\$175,272,107	\$168,394,744	\$23,670,934	\$15,028,800	14.06%	8.92%	63.49%	\$701.64	\$98.63	\$62.62
2013	\$186,322,902	\$180,797,505	\$14,780,978	\$5,407,200	8.18%	2.99%	36.58%	\$753.32	\$61.59	\$22.53
2014	\$186,829,602	\$186,576,252	\$13,025,832	\$11,088,000	6.98%	5.94%	85.12%	\$777.40	\$54.27	\$46.20
2015	\$185,838,575	\$186,334,089	\$13,593,122	\$11,184,000	7.30%	6.00%	82.28%	\$776.39	\$56.64	\$46.60

NOTE: Recorded June 2015 information is temporarily shown for Calendar 2015.

**TABLE 3D**  
**San Gabriel Valley Water Company**  
**Average Capital Structure**

<u>Year</u>	<u>LONG-TERM DEBT</u>		<u>COMMON EQUITY</u>		<u>TOTAL CAPITAL</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2011	\$104,000,000	39.17%	\$161,517,380	60.83%	\$265,517,380	100.00%
2012	\$103,300,000	37.08%	\$175,272,107	62.92%	\$278,572,107	100.00%
2013	\$102,600,000	35.51%	\$186,322,902	64.49%	\$288,922,902	100.00%
2014	\$101,900,000	35.29%	\$186,829,602	64.71%	\$288,729,602	100.00%
2015	\$101,900,000	35.41%	\$185,838,576	64.59%	\$287,738,576	100.00%

**NOTE: Recorded June 2015 information is temporarily shown for Calendar 2015.**

## CHAPTER 4

### Allocation of General Division Operating Expenses

#### A – Utility Allocation Factors

1. General division operating expenses generally are allocable to the two ratemaking divisions on a four-factor basis. The four factors, each given equal weight, are as follows:
  - a. Number of active service connections.
  - b. Direct payroll expenses.
  - c. Direct operating expenses excluding uncollectibles, general expenses, depreciation, and taxes.
  - d. Gross utility plant, less intangibles and plant common to all divisions.
  
2. Four-factor rates developed from recorded 2015 data for Estimated Year 2016, are as follows:

<u>Factor</u>	<u>Los Angeles County</u>	<u>Fontana Water Company</u>	<u>Total</u>
a.	50.78%	49.22%	100.00%
b.	48.20%	51.80%	100.00%
c.	49.23%	50.77%	100.00%
d.	46.38%	53.62%	100.00%
Average	48.64%	51.36%	100.00%

3. Because of sizeable capital additions and other changes within the two ratemaking divisions in recent years, the 2016 four-factors are used for both Test Years:

<u>Test Year</u>	<u>Los Angeles County</u>	<u>Fontana Water Company</u>	<u>Total</u>
2017-2018	48.64%	51.36%	100.00%
2018-2019	48.64%	51.36%	100.00%

#### B - Payroll

4. Payroll comprises the largest component of operating expense. Distributions are summarized monthly and the sums are carried forward from the payroll journal, where charges are posted to the two ratemaking divisions' operating accounts, and to the operating accounts maintained for the General division.
  
5. Some labor distributed to divisional work in progress later flows back to divisional operating expenses. In addition, stores and transportation expenses, consisting partly of labor charges, flow back to the divisional operating expenses through clearing account journal entries.
  
6. Recorded payroll initially charged to Account 100-3, Construction Work in Progress, and later distributed to divisional operating expense accounts, utility plant in service,

and/or accounts receivable-billing, has been segregated from other components of construction work in progress.

### C - Operating Expenses

7. Operating expenses, by subaccount classification, for recorded years 2011 through 2015 are listed in Table 4A. Table 4B lists the estimated operating expenses for Estimated Year 2016 and Test Year 2017-2018.
  
8. Payroll expenses for Estimated Year 2016 and Test Year 2017-2018 are based on San Gabriel's experienced distribution during recorded Calendar 2015. Payroll expenses shown in Table 4B include additional proposed staffing positions, wage increases granted as of December 2015, and the currently estimated wage increases of 0.0% in 2016, 1.8% in 2017, and 2.4% in 2018.
  
9. Other estimated expenses are based on recorded expenses for the calendar years 2011 through 2015, with appropriate additions for Estimated Year 2016, and Test Year 2017-2018. The additions provide for the rising cost of goods and services, recognition of the rate of inflation, and the modest increase in total customers that can be expected to continue through Test Year 2017-2018.

10. Postage expense in Account 773 (Customer Records and Collection Expenses) has been adjusted by a 6.5217% escalation factor (see Exhibit SG-4, Attachment D) and projected customer growth through Test Year 2017-2018.
  
11. Included in Account 795 (Employees' Pensions and Benefits) are the following items: annual pension contributions, vacation, holiday, sick leave, health insurance, dental insurance, vision insurance, life insurance, long term disability insurance, and miscellaneous expenses. Estimated annual pension contributions, vacation, holiday, and sick leave expenses for the test year are based upon the payroll estimates discussed in paragraph 8. Health, dental, vision, life, and long term disability insurance increases were estimated using information on trends in their respective insurance lines as provided by the brokers and insurance companies, with San Gabriel's specific experience factored in as available and applicable. For the remainder of the expense items in this account, recorded years 2011-2015 experience was used for Estimated Year 2016 and Test Year 2017-2018.
  
12. Account 797 (Regulatory Expense) includes a forecast of San Gabriel's costs incurred in participating in several additional Commission proceedings, including the Cost of Capital proceedings. These costs are amortized over the three-year rate case cycle. Other costs in this account were forecasted based on the inflation-adjusted five-year recorded 2011-2015 average. See Exhibit SG-4 (Batt) for additional discussion.

TABLE 4A

**San Gabriel Valley Water Company**  
**General Division**  
**OPERATING EXPENSES**  
(Dollars in Thousands)

<u>Account Classification</u>	<u>Recorded Years</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b><u>O&amp;M Expense</u></b>					
01-Payroll	\$62.9	\$63.4	\$63.9	\$65.6	\$65.6
02-Materials & Supplies	\$25.6	\$19.9	\$16.9	\$13.4	\$7.5
05-Outside Services	\$0.0	\$1.7	\$0.0	\$0.0	\$0.0
06-Utilities & Rents	\$7.7	\$7.4	\$7.8	\$9.0	\$8.9
00-Miscellaneous	\$16.1	\$26.2	\$26.3	\$22.9	\$21.1
Total	<u>\$112.2</u>	<u>\$118.6</u>	<u>\$114.8</u>	<u>\$110.8</u>	<u>\$103.1</u>
<b><u>Customer Account Expense</u></b>					
01-Payroll	\$548.9	\$583.9	\$614.6	\$630.9	\$658.0
02-Materials & Supplies	\$14.5	\$26.0	\$16.8	\$36.1	\$24.1
05-Outside Services	\$0.0	\$0.0	\$1.5	\$0.0	\$0.0
06-Utilities & Rents	\$6.9	\$6.5	\$6.7	\$4.3	\$3.3
07-Postage	\$534.3	\$572.2	\$611.9	\$625.6	\$621.6
00-Miscellaneous	\$2.4	\$2.4	\$2.5	\$2.5	\$2.5
Total	<u>\$1,107.0</u>	<u>\$1,190.9</u>	<u>\$1,254.0</u>	<u>\$1,299.3</u>	<u>\$1,309.6</u>
<b><u>A&amp;G Expense</u></b>					
01-Payroll	\$3,434.9	\$3,688.6	\$3,891.0	\$4,135.8	\$4,613.6
02-Materials & Supplies	\$104.8	\$120.4	\$127.5	\$131.8	\$118.4
04-Transportation	\$84.8	\$88.0	\$84.6	\$87.2	\$86.7
05-Outside Services	\$209.3	\$217.1	\$272.1	\$273.5	\$294.8
06-Utilities & Rents	\$108.0	\$117.1	\$121.0	\$133.8	\$131.4
07-Postage	\$17.3	\$16.8	\$21.0	\$18.5	\$23.6
09-Dues and Subscriptions	\$261.4	\$246.9	\$274.1	\$265.7	\$283.3
00-Miscellaneous	\$2,388.6	\$2,394.2	\$2,582.0	\$2,901.4	\$3,306.6
Total	<u>\$6,609.1</u>	<u>\$6,889.0</u>	<u>\$7,373.3</u>	<u>\$7,947.6</u>	<u>\$8,858.3</u>
<b><u>Bank Charges</u></b>					
	\$104.4	\$111.3	\$113.7	\$125.6	\$130.6
<b>Total</b>	<u><u>\$7,932.7</u></u>	<u><u>\$8,309.8</u></u>	<u><u>\$8,855.7</u></u>	<u><u>\$9,483.4</u></u>	<u><u>\$10,401.7</u></u>

TABLE 4B

**San Gabriel Valley Water Company**  
**General Division**  
**OPERATING EXPENSES**  
(Dollars in Thousands)

<u>Account Classification</u>	<u>Forecasted 2016</u>	<u>Test Year 2017-2018</u>
<b><u>O &amp; M Expense</u></b>		
01-Payroll	\$65.8	\$73.6
02-Materials & Supplies	\$17.1	\$17.9
05-Outside Services	\$0.4	\$0.4
06-Utilities & Rents	\$9.0	\$9.4
00-Miscellaneous	\$23.0	\$24.1
Total	\$115.3	\$125.4
<b><u>Customer Account Expense</u></b>		
01-Payroll	\$660.2	\$738.2
02-Materials & Supplies	\$24.0	\$25.1
05-Outside Services	\$0.3	\$0.3
06-Utilities & Rents	\$3.4	\$3.5
07-Postage	\$664.2	\$733.9
00-Miscellaneous	\$2.5	\$2.6
Total	\$1,354.6	\$1,503.6
<b><u>A &amp; G Expense</u></b>		
01-Payroll	\$4,629.2	\$5,175.6
02-Materials & Supplies	\$123.4	\$129.1
04-Transportation	\$88.0	\$92.1
05-Outside Services	\$270.9	\$286.4
06-Utilities & Rents	\$133.3	\$139.5
07-Postage	\$25.1	\$27.7
09-Dues and Subscriptions	\$279.3	\$286.0
00-Miscellaneous	\$3,958.2	\$4,487.4
Total	\$9,507.3	\$10,623.6
<b><u>Bank Charges</u></b>		
	\$135.9	\$144.1
<b>Total</b>	\$11,113.1	\$12,396.8

TABLE 4C

**San Gabriel Valley Water Company**  
**General Division**  
**ALLOCATION OF OPERATING EXPENSES**  
**Forecasted Year 2016**  
(Dollars in Thousands)

<b><u>Account Classification</u></b>	<b><u>Total Company</u></b>	<b><u>Los Angeles County</u></b>	<b><u>Fontana Water Co.</u></b>
<b><u>O &amp; M Expense</u></b>			
01-Payroll	\$65.8	\$32.0	\$33.8
02-Materials & Supplies	\$17.1	\$8.3	\$8.8
05-Outside Services	\$0.4	\$0.2	\$0.2
06-Utilities & Rents	\$9.0	\$4.4	\$4.6
00-Miscellaneous	\$23.0	\$11.2	\$11.8
Total	\$115.3	\$56.1	\$59.2
<b><u>Customer Account Expense</u></b>			
01-Payroll	\$660.2	\$321.1	\$339.1
02-Materials & Supplies	\$24.0	\$11.7	\$12.3
05-Outside Services	\$0.3	\$0.2	\$0.2
06-Utilities & Rents	\$3.4	\$1.6	\$1.7
07-Postage	\$664.2	\$323.1	\$341.1
00-Miscellaneous	\$2.5	\$1.2	\$1.3
Total	\$1,354.6	\$658.9	\$695.7
<b><u>A &amp; G Expense</u></b>			
01-Payroll	\$4,629.2	\$2,251.6	\$2,377.5
02-Materials & Supplies	\$123.4	\$60.0	\$63.4
04-Transportation	\$88.0	\$42.8	\$45.2
05-Outside Services	\$270.9	\$131.8	\$139.1
06-Utilities & Rents	\$133.3	\$64.8	\$68.5
07-Postage	\$25.1	\$12.2	\$12.9
09-Dues and Subscriptions	\$279.3	\$135.8	\$143.4
00-Miscellaneous	\$3,958.2	\$1,925.3	\$2,032.9
Total	\$9,507.3	\$4,624.4	\$4,883.0
<b><u>Bank Charges</u></b>			
	\$135.9	\$66.1	\$69.8
<b>Total</b>	\$11,113.1	\$5,405.4	\$5,707.7
Four-Factor Rates	100.00%	48.64%	51.36%

TABLE 4D

**San Gabriel Valley Water Company  
General Division  
ALLOCATION of OPERATING EXPENSES  
Test Year 2017-2018  
(Dollars in Thousands)**

<u>Account Classification</u>	<u>Total Company</u>	<u>Los Angeles County</u>	<u>Fontana Water Co.</u>
<b><u>O &amp; M Expense</u></b>			
01-Payroll	\$73.6	\$35.8	\$37.8
02-Materials & Supplies	\$17.9	\$8.7	\$9.2
05-Outside Services	\$0.4	\$0.2	\$0.2
06-Utilities & Rents	\$9.4	\$4.6	\$4.8
00-Miscellaneous	\$24.1	\$11.7	\$12.4
Total	\$125.4	\$61.0	\$64.4
<b><u>Customer Account Expense</u></b>			
01-Payroll	\$738.2	\$359.0	\$379.1
02-Materials & Supplies	\$25.1	\$12.2	\$12.9
05-Outside Services	\$0.3	\$0.2	\$0.2
06-Utilities & Rents	\$3.5	\$1.7	\$1.8
07-Postage	\$733.9	\$357.0	\$376.9
00-Miscellaneous	\$2.6	\$1.3	\$1.4
Total	\$1,503.6	\$731.4	\$772.3
<b><u>A &amp; G Expense</u></b>			
01-Payroll	\$5,175.6	\$2,517.4	\$2,658.2
02-Materials & Supplies	\$129.1	\$62.8	\$66.3
04-Transportation	\$92.1	\$44.8	\$47.3
05-Outside Services	\$286.4	\$139.3	\$147.1
06-Utilities & Rents	\$139.5	\$67.8	\$71.6
07-Postage	\$27.7	\$13.5	\$14.2
09-Dues and Subscriptions	\$286.0	\$139.1	\$146.9
00-Miscellaneous	\$4,487.4	\$2,182.7	\$2,304.7
Total	\$10,623.6	\$5,167.3	\$5,456.3
<b><u>Bank Charges</u></b>			
	\$144.1	\$70.1	\$74.0
<b>Total</b>	\$12,396.8	\$6,029.8	\$6,367.0
Four-Factor Rates	100.00%	48.64%	51.36%

## CHAPTER 5

### Taxes Other Than Income Taxes

1. Taxes other than income taxes consist of taxes on payroll and ad valorem taxes on plant. Table 5A shows payroll taxes and ad valorem taxes for Recorded Years 2011 through 2015.

#### A - Payroll Taxes

2. Payroll taxes include Federal Insurance Contributions Act (FICA) taxes, Federal Unemployment Insurance (FUTA) taxes, and State Unemployment Insurance (SUI) taxes. The FICA rate used for Estimated Year 2016 is 6.2% applicable to the first \$118,500 of each individual's annual wages for the basic portion, plus 1.45% of each individual's total annual wages for the Medicare portion. The maximum taxable base is increased each November (applicable to the following year) and has been forecasted in this application, based on the average increase from 2011-2015, to be \$123,180 in 2017, and \$125,520 in 2018.

The maximum taxable base for both FUTA and SUI is the first \$7,000 of each individual's annual wages. The FUTA rate is 2.1% applicable to the maximum taxable base in each calendar year. The SUI rate is 3.3% applicable to the maximum taxable base in each calendar year.

3. For purposes of forecasting payroll taxes in Test Year 2017-2018, it is assumed that taxable payroll will be incurred evenly throughout the calendar year. Table 5B sets forth the division payroll taxes for Estimated Year 2016 and Test Year 2017-2018.

#### B - Ad Valorem Taxes

4. Recorded ad valorem taxes are assigned to divisional operations on the basis of units of property in Los Angeles County and San Bernardino County subject to ad valorem taxes, exclusive of taxes charged to clearing accounts.
5. Table 5B allocates payroll taxes and ad valorem taxes to the two ratemaking divisions by applying the 4-factor rates developed in Chapter 4 of this report.

TABLE 5A

**San Gabriel Valley Water Company**  
**General Division**  
**PAYROLL TAX and AD VALOREM TAX EXPENSE**  
(Dollars in Thousands)

	<b>Recorded Years</b>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
FICA	\$325.0	\$346.1	\$364.7	\$396.3	\$411.8
FUTA	\$3.8	\$15.2	\$7.7	\$1.4	\$11.2
SUI	<u>\$17.7</u>	<u>\$17.8</u>	<u>\$16.5</u>	<u>\$17.8</u>	<u>\$18.1</u>
Total Payroll Taxes	\$346.5	\$379.1	\$388.9	\$415.4	\$441.2
Less: Payroll Taxes Capitalized	<u>(\$1.0)</u>	<u>(\$2.1)</u>	<u>(\$1.7)</u>	<u>(\$0.7)</u>	<u>(\$0.6)</u>
<b>PAYROLL TAXES</b>	<u>\$345.4</u>	<u>\$377.0</u>	<u>\$387.2</u>	<u>\$414.8</u>	<u>\$440.5</u>
<b>AD VALOREM TAXES</b>	<u>\$31.4</u>	<u>\$32.0</u>	<u>\$32.7</u>	<u>\$32.8</u>	<u>\$32.5</u>
<b>Total</b>	<u>\$376.8</u>	<u>\$409.0</u>	<u>\$419.8</u>	<u>\$447.6</u>	<u>\$473.0</u>

TABLE 5B

**San Gabriel Valley Water Company**  
**General Division**  
**ALLOCATION of**  
**PAYROLL TAXES and AD VALOREM TAXES**  
 (Dollars in Thousands)

	<u>Total</u> <u>Company</u>	<u>Los Angeles</u> <u>County</u>	<u>Fontana</u> <u>Water Co.</u>
<b><u>Forecasted Year 2016</u></b>			
FICA	\$469.5	\$228.4	\$241.1
FUTA	\$11.9	\$5.8	\$6.1
SUI	\$18.7	\$9.1	\$9.6
Total Payroll Taxes	\$500.0	\$243.2	\$256.8
Less: Payroll Taxes Capitalized	(\$1.2)	(\$0.6)	(\$0.6)
<b>PAYROLL TAXES</b>	<b>\$498.8</b>	<b>\$242.6</b>	<b>\$256.2</b>
 <b>AD VALOREM TAXES</b>	 \$34.0	 \$16.5	 \$17.5
Total	\$532.8	\$259.2	\$273.7
 <b><u>Test Year 2017-2018</u></b>			
FICA	\$523.2	\$254.5	\$268.7
FUTA	\$12.3	\$6.0	\$6.3
SUI	\$19.3	\$9.4	\$9.9
Total Payroll Taxes	\$554.8	\$269.9	\$285.0
Less: Payroll Taxes Capitalized	(\$1.2)	(\$0.6)	(\$0.6)
<b>PAYROLL TAXES</b>	<b>\$553.6</b>	<b>\$269.3</b>	<b>\$284.3</b>
 <b>AD VALOREM TAXES</b>	 \$36.0	 \$17.5	 \$18.5
Total	\$589.6	\$286.8	\$302.8
 <b><u>Test Year 2018-2019</u></b>			
<b>AD VALOREM TAXES</b>	<b>\$39.7</b>	<b>\$19.3</b>	<b>\$20.4</b>

## CHAPTER 6

### Utility Plant

1. General Division utility plant in service is comprised of properties common to both Los Angeles County and Fontana Water Company divisions.
2. The utility plant recorded at December 31 for the recorded years 2011 through 2015 in each account classification is shown on Table 6A. The 2-point average year balances are also shown thereon.

Ratemaking adjustments have been made to the utility plant balances to remove the 66% portion of the administrative office in Fontana that is directly assigned to the Fontana Water Company division, and for disallowances required by D.07-04-046 and D.09-06-027.

3. General Division utility plant additions from the 2016 through 2019 Capital Budgets, and the estimated retirements in those same years, are shown in Table 6B. Ratemaking adjustments for 2016 through 2019 are reflected in the plant balances by plant account to ensure that those amounts are reflected in the forecasts of Depreciation Expense and Ad Valorem Taxes.

4. General Division utility plant in service estimates for Forecasted Years 2016 through 2019 are shown in Table 6C.
  
5. General Division utility plant has been allocated to the two ratemaking divisions for the forecasted and test years by applying the 4-factor rates developed in Chapter 4. These allocations are also shown on Table 6C.

**TABLE 6A**  
**San Gabriel Valley Water Company**  
**General Division**  
**RECORDED UTILITY PLANT**  
(Dollars in Thousands)

<u>Account Classification</u>	<u>Recorded Year-End Balances</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
306 - Land	\$1,042.0	\$1,042.0	\$1,042.0	\$1,042.0	\$1,042.0
346 - Meters	\$7,851.3	\$7,894.8	\$8,210.7	\$8,408.4	\$8,838.5
371 - Structures & Improvements	\$13,845.7	\$14,322.3	\$14,864.4	\$14,993.2	\$14,997.0
372 - Office Furniture & Equipment	\$2,526.0	\$2,626.4	\$2,881.9	\$2,988.7	\$2,932.5
372.10 - EDP Equipment	\$914.3	\$917.0	\$1,053.4	\$1,028.4	\$1,215.8
373 - Transportation Equipment	\$507.4	\$541.6	\$647.4	\$674.7	\$803.2
376 - Communication Equipment	\$98.6	\$196.7	\$448.4	\$448.4	\$452.0
378 - Tools & Miscellaneous Equipment	\$50.4	\$55.0	\$55.0	\$55.0	\$55.0
<b>Plant in Service</b>	<b>\$26,835.6</b>	<b>\$27,595.8</b>	<b>\$29,203.0</b>	<b>\$29,638.7</b>	<b>\$30,335.9</b>
<b>Construction Work In Progress</b>	<b>\$461.4</b>	<b>\$678.4</b>	<b>\$189.8</b>	<b>\$204.9</b>	<b>\$317.5</b>
Subtotal	\$27,297.0	\$28,274.2	\$29,392.8	\$29,843.6	\$30,653.4
<b>Ratemaking Adjustments</b>	<b>(\$9,340.9)</b>	<b>(\$9,340.9)</b>	<b>(\$9,340.9)</b>	<b>(\$9,340.9)</b>	<b>(\$9,340.9)</b>
<b>Total</b>	<b>\$17,956.1</b>	<b>\$18,933.3</b>	<b>\$20,051.8</b>	<b>\$20,502.7</b>	<b>\$21,312.5</b>

<u>Divisional Allocation</u>	<u>Recorded Average Year Balances</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Los Angeles County Division	\$8,799.4	\$9,216.2	\$9,635.8	\$9,944.6	\$10,194.0
Fontana Water Company	\$8,851.5	\$9,228.4	\$9,856.7	\$10,332.6	\$10,713.5
<b>Total</b>	<b>\$17,650.9</b>	<b>\$18,444.7</b>	<b>\$19,492.5</b>	<b>\$20,277.2</b>	<b>\$20,907.6</b>

**TABLE 6B**  
**San Gabriel Valley Water Company**  
**General Division**  
**BUDGETED PLANT ADDITIONS**

(Dollars in Thousands)

<u>Account Classification</u>	<u>Forecasted Years</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
306 - Land	\$0.0	\$0.0	\$0.0	\$0.0
Net Retirements	\$0.0	\$0.0	\$0.0	\$0.0
346 - Meters	\$0.0	\$140.0	\$0.0	\$0.0
Net Retirements	(\$467.1)	(\$467.1)	(\$467.1)	(\$467.1)
371 - Structures & Improvements	\$20.0	\$20.0	\$20.0	\$20.0
Net Retirements	\$0.0	\$0.0	\$0.0	\$0.0
372 - Office Furniture & Equipment	\$15.0	\$15.0	\$15.0	\$15.0
Net Retirements	(\$101.7)	(\$101.7)	(\$101.7)	(\$101.7)
372.10 - EDP Equipment	\$795.0	\$1,943.0	\$3,135.8	\$1,332.8
Net Retirements	\$0.0	\$0.0	\$0.0	\$0.0
373 - Transportation Equipment	\$176.0	\$183.0	\$190.0	\$198.0
Net Retirements	(\$18.7)	(\$18.7)	(\$18.7)	(\$18.7)
376 - Communication Equipment	\$1.0	\$1.0	\$1.0	\$1.0
Net Retirements	\$0.0	\$0.0	\$0.0	\$0.0
378 - Tools & Miscellaneous Equipment	\$2.0	\$2.0	\$2.0	\$2.0
Net Retirements	\$0.0	\$0.0	\$0.0	\$0.0
<b>Gross Additions</b>	<b>\$1,009.0</b>	<b>\$2,304.0</b>	<b>\$3,363.8</b>	<b>\$1,568.8</b>
<b>Net Retirements</b>	<b>(\$587.5)</b>	<b>(\$587.5)</b>	<b>(\$587.5)</b>	<b>(\$587.5)</b>
<b>Net Additions</b>	<b>\$421.5</b>	<b>\$1,716.5</b>	<b>\$2,776.3</b>	<b>\$981.3</b>

**TABLE 6C**  
**San Gabriel Valley Water Company**  
**General Division**  
**FORECASTED UTILITY PLANT**  
(Dollars in Thousands)

<u>Account Classification</u>	<u>Forecasted Year-End Balances</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
306 - Land	\$372.8	\$372.8	\$372.8	\$372.8
346 - Meters	\$8,371.4	\$8,044.4	\$7,577.3	\$7,110.2
371 - Structures & Improvements	\$7,023.1	\$7,043.1	\$7,063.1	\$7,083.1
372 - Office Furniture & Equipment	\$2,223.5	\$2,136.8	\$2,050.1	\$1,963.4
372.10 - EDP Equipment	\$2,010.8	\$3,953.8	\$7,089.6	\$8,422.4
373 - Transportation Equipment	\$960.5	\$1,124.8	\$1,296.0	\$1,475.3
376 - Communication Equipment	\$397.5	\$398.5	\$399.5	\$400.5
378 - Tools & Miscellaneous Equipment	\$57.0	\$59.0	\$61.0	\$63.0
<b>Total Plant in Service</b>	\$21,416.5	\$23,133.1	\$25,909.4	\$26,890.8
<b>Construction Work In Progress</b>	\$317.5	\$317.5	\$317.5	\$317.5
<b>Total</b>	<u>\$21,734.0</u>	<u>\$23,450.6</u>	<u>\$26,226.9</u>	<u>\$27,208.3</u>

<u>Divisional Allocation</u>	<u>Forecasted Average Year Balances</u>		
	<u>2016</u>	<u>Test Year 2017-2018</u>	<u>Test Year 2018-2019</u>
Los Angeles County Division	\$10,468.9	\$11,535.2	\$12,538.5
Fontana Water Company Division	\$11,054.3	\$12,180.3	\$13,239.7
<b>Total</b>	<u>\$21,523.3</u>	<u>\$23,715.5</u>	<u>\$25,778.2</u>

Note: Plant in Service balances include Ratemaking Adjustments.

## CHAPTER 7

### Depreciation Expense and Reserve for Depreciation

#### A - Depreciation Expense

1. Depreciation expense on General Division plant, office equipment, and meters is assigned to Los Angeles County and Fontana Water Company divisions by applying the 4-factor rates developed in Chapter 4. Depreciation expense on transportation , communication, tools and miscellaneous equipment is recorded in Account No. 903, Transportation Expenses - Clearing, and then cleared to operating expense, work performed for others, or construction work in progress.
2. The utility plant depreciation expense charged to operating expenses for the recorded years 2011 through 2015 is shown in Table 7A.
3. Utility plant depreciation expenses for Forecasted Years 2016 through 2019 have been estimated by applying depreciation rates on file with the Commission for the recorded year 2015, to the average forecasted balance common utility plant. The results are shown in Tables 7B-1, 7B-2, and 7B-3.
4. Because Account No. 903, Transportation Expenses - Clearing (excluding payroll), has been used as a basis to develop operating expenses for Estimated Year 2016 and Test Years 2017-2018 and 2018-2019 in this and the two ratemaking divisional reports,

depreciation expense on General Division transportation equipment, communication equipment, and tools and miscellaneous equipment is not allocated to the two ratemaking divisions in this study. Other General Division utility plant depreciation expense for Estimated Year 2016 and Test Years 2017-2018 and 2018-2019 has been allocated to the two ratemaking divisions by applying the 4-factor rates developed in Chapter 4. The results are shown on Table 7C.

#### B - Reserve for Depreciation

5. Utility plant reserve for depreciation at December 31 for the recorded years 2011 through 2015 in each account classification is shown on Table 7D. An adjustment was made to remove the portion of the administrative office in Fontana that is directly assigned to the Fontana Water Company division.
6. Estimated Year 2016 utility plant reserve for depreciation is the average of the balance at December 31, 2015 and the estimated balance at December 31, 2016. Test Year 2017-2018 utility plant reserve for depreciation is the average of the estimated balance at July 1, 2017, and the estimated balance at June 30, 2018. Test Year 2018-2019 utility plant reserve for depreciation is the average of the estimated balance at July 1, 2018, and the estimated balance at June 30, 2019.

7. General Division utility plant average reserves for depreciation have been allocated to the two ratemaking divisions by applying the 4-factor rates as shown on Table 7E.

**Table 7A**  
**San Gabriel Valley Water Company**  
**General Division**  
**RECORDED DEPRECIATION EXPENSE**  
(Dollars in Thousands)

<b><u>Account Classification</u></b>	<b>Recorded Years</b>				
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
346 - Meters	\$144.2	\$145.7	\$149.0	\$153.7	\$153.5
371 - Structures & Improvements	\$268.6	\$273.2	\$283.1	\$289.6	\$291.8
372 - Office Furniture & Equipment	\$117.6	\$122.9	\$131.4	\$140.0	\$150.9
372.10 - EDP Equipment	\$88.4	\$83.4	\$89.8	\$94.8	\$92.9
Subtotal	<u>\$618.8</u>	<u>\$625.2</u>	<u>\$653.2</u>	<u>\$678.2</u>	<u>\$689.1</u>
373 - Transportation Equipment	\$53.9	\$59.5	\$67.5	\$75.0	\$79.9
376 - Communication Equipment	\$0.0	\$14.7	\$32.2	\$44.8	\$44.8
378 - Tools & Miscellaneous Equipment	\$2.2	\$2.3	\$2.4	\$2.4	\$2.4
Total	\$675.0	\$701.8	\$755.3	\$800.4	\$816.2
<b>Rate-making Adjustments</b>	(\$192.5)	(\$192.5)	(\$192.5)	(\$192.5)	(\$192.5)
<b>Depreciation Expense</b>	<u>\$426.3</u>	<u>\$432.7</u>	<u>\$460.7</u>	<u>\$485.7</u>	<u>\$496.6</u>
<b><u>Divisional Allocation</u></b>					
Los Angeles County Division	\$212.5	\$216.2	\$227.7	\$238.2	\$242.1
Fontana Water Company Division	\$213.8	\$216.5	\$233.0	\$247.5	\$254.5
<b>Depreciation Expense</b>	<u>\$426.3</u>	<u>\$432.7</u>	<u>\$460.7</u>	<u>\$485.7</u>	<u>\$496.6</u>

TABLE 7B-1

**San Gabriel Valley Water Company**  
**General Division**  
**SUMMARY OF**  
**ANNUAL DEPRECIATION ACCRUAL DETERMINATION**  
**Straight Line Remaining Life Method**  
**Forecasted Year 2016**  
 (Dollars in Thousands)

<u>Account Classification</u>	<u>Average Gross Plant</u>	<u>Average Deprec. Reserve</u>	<u>Net Plant Balance</u>	<u>Remaining Life (Yrs)</u>	<u>Annual Accrual</u>	<u>% of Gross Plant (Rate)</u>
346 - Meters	\$8,604.9	(\$1,234.7)	\$9,839.7	61.8	\$159.2	1.85%
371 - Structures & Improvements	\$7,013.1	\$1,326.0	\$5,687.1	41.8	\$136.1	1.94%
372 - Office Furniture	\$2,266.8	\$962.0	\$1,304.8	12.1	\$108.1	4.77%
372.10 - EDP Equipment	\$1,613.3	\$1,060.7	\$552.6	3.8	\$147.0	9.11%
373 - Transportation Equipment	\$881.9	\$348.6	\$533.3	5.3	\$100.1	11.35%
376 - Communication Equipment	\$397.0	\$130.7	\$266.3	6.7	\$39.6	9.98%
378 - Tools & Misc. Equipment	\$56.0	\$49.2	\$6.8	2.7	\$2.5	4.43%
Total	<u>\$20,833.0</u>	<u>\$2,642.3</u>	<u>\$18,190.7</u>		<u>\$692.5</u>	
Transferred to Transportation Clearing Account 903 (Acct. 373, 376, & 378)					<u>(\$142.2)</u>	
<b>Depreciation Expense</b>					<u><u>\$550.3</u></u>	

**TABLE 7B-2**

**San Gabriel Valley Water Company  
General Division  
SUMMARY OF  
ANNUAL DEPRECIATION ACCRUAL DETERMINATION  
Straight Line Remaining Life Method  
Test Year 2017-2018  
(Dollars in Thousands)**

<u>Account Classification</u>	<u>Average Gross Plant</u>	<u>Average Deprec. Reserve</u>	<u>Net Plant Balance</u>	<u>Remaining Life (Yrs)</u>	<u>Annual Accrual</u>	<u>% of Gross Plant (Rate)</u>
346 - Meters	\$8,009.4	(\$1,662.3)	\$9,671.7	65.3	\$148.2	1.85%
371 - Structures & Improvements	\$7,043.1	\$1,530.4	\$5,512.7	40.3	\$136.6	1.94%
372 - Office Furniture	\$2,136.8	\$1,035.2	\$1,101.6	10.8	\$101.9	4.77%
372-.10- EDP Equipment	\$4,252.0	\$1,339.4	\$2,912.6	7.5	\$387.4	9.11%
373 - Transportation Equipment	\$1,126.5	\$493.2	\$633.3	5.0	\$127.9	11.35%
376 - Communication Equipment	\$398.5	\$190.2	\$208.3	5.2	\$39.8	9.98%
378 - Tools & Misc. Equipment	\$59.0	\$53.0	\$6.0	2.3	\$2.6	4.43%
Total	<u>\$23,025.2</u>	<u>\$2,979.1</u>	<u>\$20,046.2</u>		<u>\$944.3</u>	
Transferred to Transportation Clearing Account 903 (Acct. 373, 376, & 378)					<u>(\$170.2)</u>	
<b>Depreciation Expense</b>					<u><u>\$774.1</u></u>	

TABLE 7B-3

**San Gabriel Valley Water Company**  
**General Division**  
**SUMMARY OF**  
**ANNUAL DEPRECIATION ACCRUAL DETERMINATION**  
**Straight Line Remaining Life Method**  
Test Year 2018-2019  
 (Dollars in Thousands)

<u>Account Classification</u>	<u>Average Gross Plant</u>	<u>Average Deprec. Reserve</u>	<u>Net Plant Balance</u>	<u>Remaining Life (Yrs)</u>	<u>Annual Accrual</u>	<u>% of Gross Plant (Rate)</u>
346 - Meters	\$7,577.3	(\$1,957.2)	\$9,534.5	68.0	\$140.2	1.85%
371 - Structures & Improvements	\$7,063.1	\$1,667.3	\$5,395.8	39.4	\$137.0	1.94%
372 - Office Furniture	\$2,050.1	\$1,078.5	\$971.6	9.9	\$97.8	4.77%
372.10 - EDP Equipment	\$6,638.8	\$1,798.1	\$4,840.7	8.0	\$604.8	9.11%
373 - Transportation Equipment	\$1,298.0	\$614.7	\$683.3	4.6	\$147.3	11.35%
376 - Communication Equipment	\$399.5	\$230.0	\$169.5	4.3	\$39.9	9.98%
378 - Tools & Misc. Equipment	\$61.0	\$55.6	\$5.3	2.0	\$2.7	4.43%
Total	<u>\$25,087.9</u>	<u>\$3,487.1</u>	<u>\$21,600.8</u>		<u>\$1,169.7</u>	
Transferred to Transportation Clearing Account 903 (Acct. 373, 376, & 378)					<u>(\$189.9)</u>	
<b>Depreciation Expense</b>					<u><u>\$979.8</u></u>	

**Table 7C**  
**San Gabriel Valley Water Company**  
**General Division**  
**FORECASTED DEPRECIATION EXPENSE**

<b><u>Account Classification</u></b>	<b><u>2016</u></b>	<b><u>Test Year 2017-2018</u></b>	<b><u>Test Year 2018-2019</u></b>
346 - Meters	\$159.2	\$148.2	\$140.2
371 - Structures & Improvements	\$136.1	\$136.6	\$137.0
372 - Office Furniture & Equipment	\$108.1	\$101.9	\$97.8
372.10 - EDP Equipment	<u>\$147.0</u>	<u>\$387.4</u>	<u>\$604.8</u>
<b>Depreciation Expense</b>	<b><u>\$550.3</u></b>	<b><u>\$774.1</u></b>	<b><u>\$979.8</u></b>
373 - Transportation Equipment	\$100.1	\$127.9	\$147.3
376 - Communication Equipment	\$39.6	\$39.8	\$39.9
378 - Tools & Miscellaneous Equipment	<u>\$2.5</u>	<u>\$2.6</u>	<u>\$2.7</u>
<b>Total Depreciation Accrual</b>	<b><u>\$692.5</u></b>	<b><u>\$944.3</u></b>	<b><u>\$1,169.7</u></b>
		<b><u>Test Year 2017-2018</u></b>	<b><u>Test Year 2018-2019</u></b>
<b><u>Divisional Allocation</u></b>	<b><u>2016</u></b>		
Los Angeles County Division	\$267.7	\$376.5	\$476.6
Fontana Water Company Division	<u>\$282.7</u>	<u>\$397.6</u>	<u>\$503.2</u>
<b>Depreciation Expense</b>	<b><u>\$550.3</u></b>	<b><u>\$774.1</u></b>	<b><u>\$979.8</u></b>



**Table 7E**  
**San Gabriel Valley Water Company**  
**General Division**  
**FORECASTED RESERVE FOR DEPRECIATION**  
(Dollars in Thousands)

<b><u>Account Classification</u></b>	<b>Forecasted Year-End Balances</b>			
	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
346 - Meters	(\$1,374.8)	(\$1,662.3)	(\$1,957.2)	(\$2,260.7)
371 - Structures & Improvements	\$1,394.0	\$1,530.4	\$1,667.3	\$1,804.5
372 - Office Furniture & Equipment	\$987.7	\$1,035.2	\$1,078.5	\$1,117.7
372.10 - EDP Equipment	\$1,112.0	\$1,339.4	\$1,798.1	\$2,460.4
373 - Transportation Equipment	\$390.7	\$493.2	\$614.7	\$756.1
376 - Communication Equipment	\$150.5	\$190.2	\$230.0	\$269.9
378 - Tools & Misc. Equipment	\$50.4	\$53.0	\$55.6	\$58.4
<b>Depreciation Reserve</b>	<b>\$2,710.5</b>	<b>\$2,979.1</b>	<b>\$3,487.1</b>	<b>\$4,206.3</b>

<b><u>Divisional Allocation</u></b>	<b>Forecasted Average Year Balances</b>		
	<b><u>2016</u></b>	<b><u>Test Year 2017-2018</u></b>	<b><u>Test Year 2018-2019</u></b>
Los Angeles County Division	\$1,290.6	\$1,483.5	\$1,727.1
Fontana Water Company Division	\$1,351.8	\$1,555.5	\$1,812.7
<b>Depreciation Reserve</b>	<b>\$2,642.3</b>	<b>\$3,038.9</b>	<b>\$3,539.9</b>

Note: Ratemaking Adjustments are included in the account balances

## CHAPTER 8

### Summary of Allocation of Expenses and Rate Base Items

The estimates of Operating Expenses developed in Chapter 4, Taxes Other Than Income Taxes developed in Chapter 5, Utility Plant developed in Chapter 6, and Reserve for Depreciation and Depreciation Expense developed in Chapter 7, assignable to the Los Angeles County division for Estimated Year 2016 and Test Years 2017-2018 and 2018-2019, are set forth in Table 8A.

The estimates of Operating Expenses developed in Chapter 4, Taxes Other Than Income Taxes developed in Chapter 5, Utility Plant developed in Chapter 6, and Reserve for Depreciation and Depreciation Expense developed in Chapter 7, assignable to the Fontana Water Company division for Estimated Year 2016 and Test Years 2017-2018 and 2018-2019, are set forth in Table 8B.

TABLE 8A

**San Gabriel Valley Water Company  
SUMMARY of EXPENSES  
and RATE BASE allocated to  
Los Angeles County Division**  
(Dollars in Thousands)

	<b>Forecasted <u>2016</u></b>	<b>Test Year <u>2017-2018</u></b>	
<b><u>Operating Expenses</u></b>			
Operation & Maintenance	\$56.1	\$61.0	
Customer Accounts Expense	\$658.9	\$731.4	
Administration & General	\$4,624.4	\$5,167.3	
Payroll Taxes	\$242.6	\$269.3	
Total	<u>\$5,581.9</u>	<u>\$6,229.0</u>	
 Bank Charges	 <u>\$66.1</u>	 <u>\$70.1</u>	
	<b>Forecasted <u>2016</u></b>	<b>Test Year <u>2017-2018</u></b>	<b>Test Year <u>2018-2019</u></b>
<b><u>Rate Base-Related Expenses</u></b>			
Depreciation	\$267.7	\$376.5	\$476.6
Ad Valorem Taxes	\$16.5	\$17.5	\$19.3
Total	<u>\$284.2</u>	<u>\$394.0</u>	<u>\$495.9</u>
	<b>Forecasted <u>2016</u></b>	<b>Test Year <u>2017-2018</u></b>	<b>Test Year <u>2018-2019</u></b>
<b><u>Rate Base</u></b>			
Utility Plant	\$10,468.9	\$11,535.2	\$12,538.5
Less: Reserve for Depreciation	\$1,290.6	\$1,483.5	\$1,727.1
Net	<u>\$9,178.4</u>	<u>\$10,051.8</u>	<u>\$10,811.4</u>

TABLE 8B

**San Gabriel Valley Water Company  
SUMMARY of EXPENSES  
and RATE BASE allocated to  
Fontana Water Company Division**  
(Dollars in Thousands)

	<b>Forecasted 2016</b>	<b>Test Year 2017-2018</b>	
<b><u>Operating Expenses</u></b>			
Operation & Maintenance	\$59.2	\$64.4	
Customer Accounts Expense	\$695.7	\$772.3	
Administration & General	\$4,883.0	\$5,456.3	
Payroll Taxes	\$256.2	\$284.3	
Total	<u>\$5,894.1</u>	<u>\$6,577.3</u>	
Bank Charges	<u>\$69.8</u>	<u>\$74.0</u>	
	<b>Forecasted 2016</b>	<b>Test Year 2017-2018</b>	<b>Test Year 2018-2019</b>
<b><u>Rate Base-Related Expenses</u></b>			
Depreciation	\$282.7	\$397.6	\$503.2
Ad Valorem Taxes	\$17.5	\$18.5	\$20.4
Total	<u>\$300.1</u>	<u>\$416.1</u>	<u>\$523.6</u>
	<b>Forecasted 2016</b>	<b>Test Year 2017-2018</b>	<b>Test Year 2018-2019</b>
<b><u>Rate Base</u></b>			
Utility Plant	\$11,054.3	\$12,180.3	\$13,239.7
Less: Reserve for Depreciation	\$1,351.8	\$1,555.5	\$1,812.7
Net	<u>\$9,702.6</u>	<u>\$10,624.8</u>	<u>\$11,426.9</u>